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DEPARTMENT OF FINANCE
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March 11, 2002



Re: Declaratory Ruling- Entertainment Cooperative

Dear [REDACTED]:

This is in response to your letter of February 19, 2002 requesting a "Declaratory Ruling" from our Department with regard to whether the entertainment cooperative memberships would constitute a "security" under the Idaho Securities Act ("Act").

It is our understanding that the entertainment cooperative ("Co-op") intends to bring music entertainers to the Boise area for the benefit of its members and the general public. Memberships would be sold for a one-time fee of \$75. Of this fee, \$25 would be allocated towards the operational costs of the Co-op. The remaining \$50 would be distributed to other members as payment for their Co-op recruitment efforts. Tickets not sold to Co-op members would be offered to the general public.

Benefits to Co-op members include:

- 1) Voting rights pertaining to the type of entertainment that should be booked.
- 2) 10% discount on general ticket admission price.
- 3) Right to purchase tickets ahead of general public and other Co-op members based on pre-recorded membership preferences.
- 4) Payment for Co-op recruitment efforts.
- 5) Payment of a portion of the total ticket sales purchased by individuals recruited by the member to join the Co-op.

Rule 300.03(b) of the Act allows for the application of the "risk capital" test in order to ascertain whether an investment would meet the definition of a "security" pursuant to the Act.

The elements of the "risk capital" test under Rule 300.03(b) require:

- 1) An investment that is subject to the risks of the enterprise;
- 2) An expectation of a benefit above the value paid;
- 3) Investor does not have the right to exercise practical and actual control over the managerial decisions of the enterprise.

Based on your representations and our application of the "risk capital" test, it appears that the

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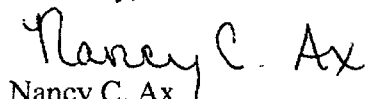
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membership interests would be considered a "security" under the Act. Please be aware that our conclusion is based solely on the facts and circumstances presented in the February 19, 2002 letter. Should the facts change or be altered in a material way, our view may be different.

In the event you disagree with our conclusion, please provide a written explanation of your position by April 12, 2002.

If you have any questions regarding this matter, please contact the undersigned.

Sincerely,


Nancy C. Ax
Securities Analyst